

CITY OF HOPKINTON

AND

HOPKINTON MUNICIPAL UTILITIES

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014**

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OFFICIALS
CITY OF HOPKINTON

<u>Name</u>	<u>Title</u> (Before January, 2014)	<u>Term Expires</u>
Cathy Harris	Mayor	Jan. 2014
D.J. Hucker	Mayor Pro tem	Jan. 2016
Sarah Helle	Council Member	Jan. 2014
Robert Ristow	Council Member	Jan. 2014
Lloyd Collmann	Council Member	Jan. 2016
Robert Porter	Council Member	Jan. 2016
Amy Ries	City Clerk	Indefinite
James Peters	Attorney	Indefinite
(After December, 2013)		
Cathy Harris	Mayor	Jan. 2016
D.J. Hucker	Mayor Pro tem	Jan. 2016
Lloyd Collmann	Council Member	Jan. 2016
Robert Porter	Council Member	Jan. 2016
Janet Buckner	Council Member	Jan. 2018
Julie Davis	Council Member	Jan. 2018
Amy Ries	City Clerk	Indefinite
James Peters	Attorney	Indefinite

HOPKINTON MUNICIPAL UTILITIES

Robert DeShaw	Chairperson	Mar. 2017
Richard Harris	Vice Chairperson	Mar. 2015
James Guthrie	Director	Mar. 2019
Douglas Melchert	Superintendent	Indefinite
Cynthia Kemp	Board Secretary/Clerk	Indefinite
Chris Lyons	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor, Members of the City Council
And Board of Trustees:

We have performed an agreed-upon procedures engagement of the City of Hopkinton and Hopkinton Municipal Utilities pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Hopkinton and Hopkinton Municipal Utilities for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council and Board of Trustees meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's and Utility's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City and Utility Clerks' financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council and Board of Trustees.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. We reviewed the City's fiscal year 2014 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization, and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification, and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City and Utility. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Hopkinton and Hopkinton Municipal Utilities, the objective of which is the expression of opinions on the City's and Utility's financial statements. Accordingly, we do not express opinions on the City's and Utility's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Hopkinton and Hopkinton Municipal Utilities additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees, citizens and customers of the City of Hopkinton and Hopkinton Municipal Utilities and other parties to whom the City of Hopkinton and Hopkinton Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Hopkinton and Hopkinton Municipal Utilities during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

August 11, 2014


Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

DETAILED RECOMMENDATIONS

CITY OF HOPKINTON
AND
HOPKINTON MUNICIPAL UTILITIES
DETAILED RECOMMENDATIONS
For the Period July 1, 2013 through June 30, 2014

[A] Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas of both the City and Utility:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - record keeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing and posting. (Utility only)
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, both the City and Utility should review its control procedures to obtain maximum internal control possible under the circumstances utilizing currently available staff, including elected and appointed officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

[B] Payment of General Obligation Bonds - Principal and interest of the City's general obligation sanitary sewer bonds were paid from the Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation - The City should transfer from the Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

- [C] Misclassification of Receipts - Bond proceeds of \$120,000 were classified as miscellaneous receipts instead of other financing sources in the City financial statements.

Recommendation - In the future bond and notes proceeds should be classified as other financing sources.

- [D] Deposits and Investments - The City and Utility have not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition a resolution naming official depositories has not been adopted by the City Council or Board of Trustees as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - The City and Utility should adopt written investment policies which comply with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council and Board of Trustees, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- [E] Electronic Check Retention -Chapter 554D.114 of the Code of Iowa allows the Utility to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Utility does not receive an image of the back of each cancelled check for its bank account.

Recommendation - The Utility should obtain and retain images of both the front and back of cancelled checks for its bank account as required by Chapter 554D.114 of the Code of Iowa.

- [F] Financial Condition - The Debt Service Fund had a deficit balance of \$ 132,424 at June 30, 2014.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

- [G] Form 1099 Compliance - The City and Utility did not issue 1099s to all required vendors.

Recommendation - Vendor lists should be reviewed in January when preparing 1099s.

- [H] Health Reimbursement Arrangement - In lieu of providing dental and vision insurance coverage, the Utility provides employees with a reimbursement arrangement. Disbursements from this arrangement may not meet the requirements of the Affordable Care Act after December 31, 2013.

Recommendation - If the Utility offers an HRA in the future, the Utility should establish policies and procedures and take appropriate steps to ensure the HRA has been established in compliance with federal guidelines.

- [I] Business Transactions - Business transactions between the City and Utility and Utility officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>		<u>Amount</u>
Richard Harris, Vice Chair- Person, Part Owner of Harris Electric Company	Parts and repairs	Utility	\$ 2,421
		City	<u>7,321</u>
			<u>\$ 9,742</u>

In accordance with Chapter 362.5 of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$ 2,500 during the fiscal year and services were not competitively bid.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.